

Message Text

PAGE 01 STATE 113547

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P 302045Z MAY 74
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS PRIORITY

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FOR JOHN BUSHNELL, ATTENDING PREPCOM FOR JUNE
17-18 ECG

FOL RPEAT BON 8513 SENT ACTION SECSTATE INFO TOKYO
EC BRUSSELS OECD PARIS MAY 29

QTE

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E.O. 11652: N/A
TAGS: ENRG,EGEN, GW, JA
SUBJECT: WORKING PAPER ON PROSPECTS FOR ACCELERATED
INDUSTRIALIZATION AND DEVELOPMENT IN OPEC COUNTRIES

REF: A. STATE 105720, B. BONN 7534 (NOTAL);
C. BONN 7533 (NOTAL)

1. SUMMARY. THE FRG AND JAPAN HAVE REACHED AGREEMENT
ON A TEXT OF THE SUBJECT PAPER. DUE TO JAPANESE
OPPOSITION, SOME US COMMENTS WERE NOT REFLECTED IN
THE FINAL VERSION. THE FRG HOPES TO WORK CLOSELY
WITH THE US IN ORDER TO OBTAIN ECG APPROVAL OF A
SET OF CONCLUSIONS THAT THE FRG INTENDS TO INTRODUCE
AT THE JUNE 17 MEETING. THIS TELEGRAM PROVIDES THE
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PAGE 02 STATE 113547

TEXT OF THE FINAL CHANGES MADE IN THE DRAFT PAPER
AS WELL AS THE FRG'S DRAFT OF ITS PROPOSED
CONCLUSIONS. END SUMMARY.

2. THE FRG AND THE GOJ REACHED AGREEMENT MAY 28 ON THE TEXT OF THE SUBJECT PAPER WHICH IS TO BE DISTRIBUTED TO ALL ECG GOVERNMENTS THIS WEEK BY THE FOREIGN MINISTRY. MESENBERG, THE ECONOMICS MINISTRY OFFICIAL RESPONSIBLE FOR THE ECG WORK ON THIS SUBJECT, PROVIDED EMBOFF WITH A COPY OF THE PAPER THIS MORNING. THE FINAL VERSION OF THE PAPER IS NEARLY IDENTICAL WITH THE DRAFT TEXT FORWARDED IN REF C. THERE FOLLOW THE CHANGES THAT WERE MADE IN THE REFERENCED DRAFT:

PARA 4(B) MEDIUM ABSORBERS. SENTENCE FIVE SHOULD READ AS FOLLOWS: HOWEVER, ALL THE COUNTRIES IN THIS GROUP ARE LIKELY TO HAVE DIFFICULTIES IN OBTAINING TECHNICAL AND MANAGERIAL KNOW-HOW AND MAKING IT AVAILABLE, SO INTRODUCING SKILLED PERSONNEL MIGHT BE USEFUL.

PARA 4(C) HIGH ABSORBERS. THE LAST SENTENCE OF THE SECOND PARAGRAPH OF THIS SECTION SHOULD READ AS FOLLOWS: PARTICULARLY THESE COUNTRIES COULD OFFER AN OUTLET FOR THE FUNDS OF THE LOW ABSORBERS.

PARA 6. THE LAST SENTENCE SHOULD READ AS FOLLOWS: BUT IT IS TO BE FEARED THAT BECAUSE OF THEIR ECONOMIC STRUCTURES THE DEVELOPING COUNTRIES WHICH ARE NOT OIL PRODUCERS WILL FIND IT HARD TO PROFIT FROM THIS NEW PATTERN IN THE WORLD ECONOMY.

PARA 9. THE SECOND SENTENCE SHOULD READ AS FOLLOWS: INCREASED NET CAPITAL OUTFLOWS FROM INDUSTRIALIZED COUNTRIES MAY NOT BE EXPECTED.

C. PRINCIPAL QUESTIONS. THE FOLLOWING FOOTNOTE SHOULD BE ADDED TO THIS HEADING: SOME OF THE FOLLOWING PROBLEMS HAVE CLOSE RELATIONSHIP WITH THE WORKS BEING CARRIED OUT BY OTHER GROUPS OF ECG (E.G. BILATERAL AGREEMENTS AND USE OF THE EXCESSIVE PETROLEUM REVENUE). THE OUTCOME OF THESE OTHER GROUPS, THEREFORE, SHOULD BE FULLY TAKEN INTO ACCOUNT.

PARA 11. SECTIONS TWO AND THREE OF THIS PARAGRAPH SHOULD BE REVERSED IN ORDER. THE NEW SECTION
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PAGE 03 STATE 113547

THREE SHOULD READ AS FOLLOWS: HOW CAN ANY BILATERAL AGREEMENTS BETWEEN CONSUMER AND PRODUCER COUNTRIES BE SO DESIGNED THAT THEY DO NOT DISTORT TRADE PATTERNS AND LEAD TO DISCRIMINATION AMONG MARKETS, THUS CAUSING MULTILATERAL ECONOMIC RELATIONS TO BE DISSOLVED? (E.G. BY BANNING PRICE AND QUANTITY FIXING);.

3. MESENBERG SAID THAT THE FRG FULLY SUPPORTED THE US SUGGESTED CHANGES AND HAD DONE THE BEST IT COULD TO TAKE THE US COMMENTS INTO ACCOUNT INCLUDING THOSE FORWARDED BY REFTTEL (A) ALTHOUGH THEIR LATE ARRIVAL MADE THE TASK MORE DIFFICULT. HE SAID THAT

THE MAJOR DIFFERENCES BETWEEN THE FRG AND THE JAPANESE CENTERED ON POINTS WHERE THE US HAD SUGGESTED CHANGES. HE SAID, FOR EXAMPLE, THAT THE JAPANESE HAD OBJECTED STRENUOUSLY TO ANY REFERENCE IN PARAGRAPH ELEVEN TO BILATERAL AGREEMENTS BETWEEN PRODUCER AND CONSUMER COUNTRIES AND HE STATED THAT IN ORDER TO INCLUDE THIS POINT IN THE TEXT IT WAS NECESSARY TO RETURN TO THE LANGUAGE OF THE EARLIER DRAFT.

4. MESENBERG SAID THAT THE FRG WOULD LEAD THE DISCUSSION OF THIS PAPER AT THE JUNE 17 ECG MEETING AND THAT THE HEAD OF THE GERMAN DELEGATION WOULD FOCUS THE DISCUSSION ON PART C, PRINCIPAL QUESTIONS (PARAS 10 AND 11). HE SAID THAT DURING THE DISCUSSION THE FRG WOULD DISTRIBUTE A PAPER ENTITLED "CONCLUSIONS" WHICH WOULD PRESENT A PARALLEL SET OF ANSWERS OR RECOMMENDATIONS TO THE QUESTIONS RAISED IN PART C OF THE PAPER. THESE CONCLUSIONS WOULD THEN FORM THE BASIS FOR FINAL ECG CONSIDERATION OF THIS AGENDA ITEM. MESENBERG SAID THAT THE SUCCESS OF THE GERMAN EFFORTS TO OBTAIN SOME POSITIVE RESULTS FROM ECG CONSIDERATION OF THIS AGENDA ITEM DEPENDED IN GOOD PART ON THE DEGREE OF US/FRG COOPERATION AT THE MEETING. IN THIS REGARD HE EXPRESSED THE HOPE THAT THE US WOULD SUPPORT STRONGLY THE GERMAN "CONCLUSIONS" ONCE THEY WERE INTRODUCED INTO THE DISCUSSION.

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PAGE 04 STATE 113547

5. MESENBERG THEN PROVIDED EMBOFF WITH A COPY OF THE FIRST DRAFT OF THESE "CONCLUSIONS" WITH THE REQUEST THAT IT BE FORWARDED TO WASHINGTON FOR COMMENTS. HE STRESSED THAT THIS WAS ONLY A FIRST DRAFT, NOT FULLY CLEARED WITHIN THE FRG, AND THAT THE FRG DID NOT INTEND TO CIRCULATE IT TO OTHER ECG MEMBERS AT THIS TIME. THERE FOLLOWS AN INFORMAL EMBASSY TRANSLATION OF THE GERMAN DRAFT CONCLUSIONS:
QUOTE

DRAFT

C. CONCLUSIONS

THE EXAMINATION SPELLED OUT ABOVE LEADS TO THE FOLLOWING CONCLUSIONS:

10. POSSIBILITIES AND PROCEDURES FOR AN ACCELERATED DEVELOPMENT OF PETROLEUM PRODUCING COUNTRIES
A. IN COMPARISON WITH INDUSTRIAL CONSUMER STATES,

THE PETROLEUM PRODUCING COUNTRIES EXHIBIT A -- IN SOME WAYS CONSIDERABLE -- RETARDED STATUS IN THEIR ECONOMIC DEVELOPMENT.

FOR THE ACCELERATION OF THE ECONOMIC DEVELOPMENT PROCESS, ESPECIALLY OF INDUSTRIALIZATION, IN THE PRODUCING AREAS, IT SHOULD BE CONSIDERED, ABOVE ALL,

- TO INTENSIFY COOPERATION BETWEEN ENTERPRISES OF CONSUMER AND PRODUCER COUNTRIES,
- TO EXPAND TECHNICAL ADVICE,
- TO SUPPLY AND FURNISH TECHNICAL AND ENTREPRENEURIAL KNOW-HOW-MANAGEMENT, AND
- TO STRENGTHEN THE PLANNING AND ORGANIZATIONAL CAPACITY OF THOSE PRODUCER COUNTRIES SO INTERESTED.

CONCRETE POINTS OF DEPARTURE FOR ECONOMIC COOPERATION WITH EACH PRODUCER COUNTRY WILL HAVE TO BE DETERMINED ON CASE-BY-CASE EXAMINATIONS.

B. THE MAJORITY OF PRODUCER COUNTRIES SUFFERS FROM LIMITED OFFICIAL USE
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PAGE 05 STATE 113547

A CONSIDERABLE SHORTAGE OF QUALIFIED LABOR.

WITHIN THE FRAMEWORK OF IMPROVED COOPERATION, THE INDUSTRIAL COUNTRIES SHOULD, THEREFORE, UNDERTAKE EFFORTS

- TOWARDS CONTRIBUTING, IN AN INCREASING EXTENT, TO THE TRAINING OF EXPERTS, AND
- TOWARDS SENDING EXPERTS INTO THE PRODUCER AREAS.

IT SHOULD NOT BE OVERLOOKED, HOWEVER, THAT THE TRANSFER OF TECHNICAL EXPERTISE BY MEANS OF SENDING TECHNICAL PERSONNEL FOR LIMITED TIME PERIODS, CAN ENCOUNTER DIFFICULTIES BECAUSE OF PERSONNEL BOTTLENECKS WHICH NUMEROUS INDUSTRIAL COUNTRIES SUFFER IN VARIOUS SECTORS THEMSELVES (CF. 11F).

C. A PRIORITY PROBLEM IN THE EFFORTS OF INDUSTRIALIZATION IN PRODUCER COUNTRIES IS THE QUESTION ON WHICH BASIS THIS PROCESS IS TO BE INITIATED AND IMPLEMENTED.

THE EXPERIENCES GAINED IN THIS SECTOR UP TO NOW SUGGEST THE BUILD-UP PRIMARILY OF THOSE -- ENERGY AND CAPITAL INTENSIVE -- INDUSTRIAL SECTORS WHICH CAN SERVE AS GROWTH NUCLEI AND WHICH LEAD TO A DIVERSIFIED, SELF-SUSTAINING INDUSTRIAL STRUCTURE.

D. BEFORE PETROLEUM PRODUCING COUNTRIES MAKE LARGE

SCALE DOMESTIC INVESTMENTS, THEY WOULD BE WELL ADVISED TO EXAMINE WITH GREAT CARE THE CONDITIONS AND CHANCES OF SUCCESS OF THE VARIOUS PROJECTS. PLANS WHICH CREATE THE BASIS FOR PROMISING LONG TERM ECONOMIC UPSWING (E.G., IN THE SECTORS OF TRAINING AND PLANNING CAPABILITY) SHOULD, IN PRINCIPLE DESERVE PRIORITY OVER THE SHORT-TERM REALIZATION OF SPECTACULAR PROJECTS.

E. A MORE EFFECTIVE WAY OF SUPPORTING THE ECONOMIC DEVELOPMENT OF PRODUCER COUNTRIES COULD LIE IN MULTILATERAL COLLABORATION AMONG CONSUMER COUNTRIES TOWARD THIS GOAL. THE FORM OF SUCH COOPERATION SHOULD BE ESTABLISHED BY THE CONSUMER COUNTRIES WITHIN THE LIMITED OFFICIAL USE
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PAGE 06 STATE 113547

FRAMEWORK OF THE OECD BY THE AGREEMENT ON GUIDELINES GOVERNING MUTUAL INFORMATION AND CONSULTATION. IN THE CASE OF LARGER PROJECTS, JOINT NEGOTIATIONS ON THE QUESTIONS OF ECONOMIC COOPERATION SHOULD BE CONSIDERED BETWEEN CONSUMER COUNTRIES AND INTERESTED PRODUCER COUNTRIES.

F. BILATERAL ACTIONS, WHICH INDIVIDUAL CONSUMER COUNTRIES PLAN OR ARE IMPLEMENTING IN THE FIELD OF ECONOMIC COOPERATION WITH INDIVIDUAL PRODUCER AREAS CAN RENDER DIFFICULT OR EVEN PREVENT MULTILATERAL SOLUTIONS.

IN ORDER TO EXCLUDE SUCH POSSIBILITIES OF COLLISION, CARE SHOULD BE TAKEN TO HARMONIZE BILATERAL EFFORTS WITH MULTILATERAL SOLUTIONS E.G. BY THE ESTABLISHMENT OF A CONSULTATION PROCEDURE IN THE OECD.

11. EFFECTS ON WORLD TRADE AND INVESTMENT

A. IN THE LIGHT OF THE MOST RECENT DEVELOPMENT OF THE WORLD ECONOMY, IT HAS BECOME EVEN MORE IMPERATIVE THAT THE RAW MATERIAL PRODUCING COUNTRIES PARTICIPATE MORE VIGOROUSLY IN THE MULTILATERAL GATT NEGOTIATIONS AND THAT THE TRADE POLICY ISSUES EXISTING BETWEEN THEM AND THE CONSUMER COUNTRIES BE PLACED ON THE AGENDA.

AGREEMENTS TO AVOID EXPORT RESTRICTIONS AND MONOPOLISTIC PRICE INCREASES IN THE EVENT OF RAW MATERIAL SHORTAGES SHOULD BE STRIVED FOR AND CODIFIED IN THE GATT.

B. WITHIN THE FRAMEWORK OF THE GATT NEGOTIATIONS, CONSIDERATION WILL HAVE TO BE GIVEN TO THE QUESTION OF HOW TO FACILITATE THE ACCESS OF LDCS TO THE MARKETS OF INDUSTRIAL STATES.

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PAGE 07 STATE 113547

POSSIBILITIES INCLUDE E.G., THE EXPANSION OF TARIFF PREFERENCES AND THE SETTING ASIDE OF TRADE RESTRICTIONS WITH REGARD TO THE LDCS.

C. BILATERAL ARRANGEMENTS BETWEEN CONSUMERS AND PRODUCERS CAN ENDANGER THE WORLD TRADING STRUCTURES AND PREJUDICE INTERNATIONAL INTERLINKAGES. SUCH AGREEMENTS SHOULD, THEREFORE, BE SHAPED IN SUCH A WAY THAT THEY DO NOT LEAD TO DISCRIMINATIONS. THE ATTAINMENT OF THIS GOAL SHOULD BE GUARANTEED BY A MULTILATERAL AGREEMENT (E.G., IN THE OECD).

D. IN THE INTEREST OF THE MOST SEVERELY AFFECTED LDCS WHICH DO NOT PRODUCE PETROLEUM, CARE SHOULD BE TAKEN THAT SURPLUS CAPITAL FROM THE PRODUCER COUNTRIES BE TRANSFERRED TO THIS GROUP OF COUNTRIES. THE OFFER TO PROVIDE TECHNICAL AND ENTREPRENEURIAL KNOW-HOW TO THE LDCS COULD BE A CONTRIBUTION OF THE CONSUMER COUNTRIES IN SUPPORT OF THESE EFFORTS.

E. IT IS UNMISTAKABLE THAT ECONOMIC AND POLITICAL LIMITS CAN EXIST IN THE CASE OF LARGE SCALE INVESTMENTS FROM PRODUCER COUNTRIES IN CONSUMER REGIONS. SUCH INVESTMENTS CAN REINFORCE INFLATIONARY PROCESSES AND BRING ABOUT UNDESIRE CONCENTRATIONS.

IN PARTICULARLY SEVERE INSTANCES CONTROL MEASURES ON THE PART OF CONSUMER COUNTRIES SHOULD NOT BE EXCLUDED.

F. THE CAPABILITY OF INDUSTRIAL COUNTRIES TO MAKE AVAILABLE GOODS AND EXPERTS TO PETROLEUM PRODUCING AREAS CAN BE LIMITED BY MACRO-ECONOMIC OR SECTORAL BOTTLENECKS. A RESERVATION OF THE CONSUMER COUNTRIES, NOT TO EXCEED THESE CAPACITY LIMITS IN THE BEST CONCEIVED INTEREST OF ALL PARTICIPATING COUNTRIES, SHOULD THEREFORE BE ASSERTED. THEREFORE, A SLOW-DOWN OF ECONOMIC DEVELOPMENT, ESPECIALLY OF INDUSTRIALIZATION IN PETROLEUM PRODUCING COUNTRIES CAN, IN THIS INSTANCE, NOT BE EXCLUDED. END QUOTE.
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PAGE 08 STATE 113547

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